



Minerals Management Service Highlights

Introduction

The Minerals Management Service (MMS) manages the Nation's natural gas, oil, and other mineral resources on the Outer Continental Shelf (OCS), and collects, accounts for, and disburses revenues from offshore Federal mineral leases and onshore mineral leases on Federal and Indian lands. Although it is a relatively small bureau (approximately 1,700 employees located in 20 cities across the United States), activities of the MMS provide major economic and energy benefits to the Nation, its taxpayers, the States, and the Indian community—benefits that have both national and local significance.

MMS Mission

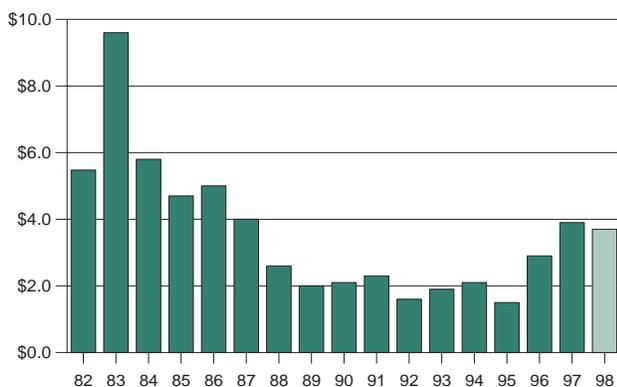
"To manage the mineral resources on the Outer Continental Shelf in an environmentally sound and safe manner and to timely collect, verify, and distribute mineral revenues from Federal and Indian lands."

Since 1982, approximately \$98 billion in revenues from mineral activities on Federal lands has been distributed by the MMS to the U.S. Treasury, States, Tribes and Indian allottees. A portion of the revenues distributed to the U.S. Treasury goes into accounts that support the Land and Water Conservation Fund. The largest recipient of funds collected by the MMS is the General Fund of the U.S. Treasury. Since 1982 the Treasury has received over \$61 billion in MMS collections.

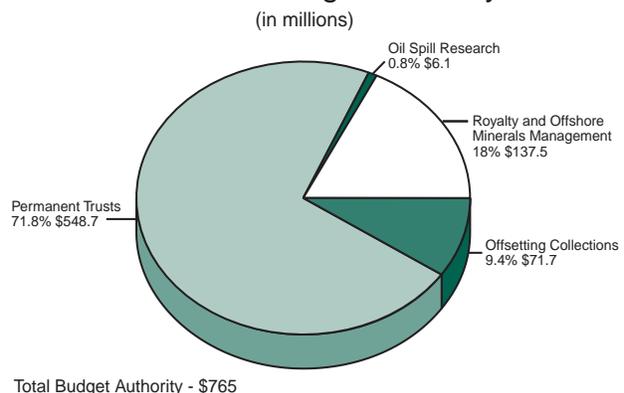
The OCS continues to play a significant role in our Nation's energy picture. The MMS administers 42 million acres of the OCS under lease, which supplies approximately 27 percent of the natural gas and approximately 20 percent of the oil produced in the United States. As of the end of 1998, the OCS had produced about 133 trillion cubic feet of natural gas and about 12 billion barrels of oil. It is projected that production will continue to increase dramatically, resulting in hundreds of millions of dollars annually for the U.S. Treasury.

While development of offshore mineral resources has already meant billions of dollars in revenues to the United States, the MMS is extremely concerned with safety and environmental concerns—striving to provide domestic energy while protecting sensitive coastal and marine environments.

Fiscal Year Disbursements to the U.S. Treasury (in billions)



1998 MMS Budget Authority (in millions)



Managing for Results (Program and Mission Goals)

The MMS has identified two major programmatic goals, called “Goal Categories”, which are directly linked to its mission and are based on legislative mandates. The two Goal Categories are to (1) provide for safe and environmentally sound mineral development on the OCS and ensure that the public receives fair value, and (2) provide timely, accurate, and cost-effective mineral royalty collection and disbursement services. These Goal Categories, in turn, support the goals of the Department, reflect stakeholder input, and provide a framework for MMS operations.

Ensuring safe Outer Continental Shelf mineral development

The MMS inspects drilling and production facilities using both annual and unannounced inspections, requires that offshore workers receive adequate training on safety and pollution prevention operations, participates as a member of an industry effort to promote voluntary use of Safety and Environmental Management Plans (SEMPs), participates in the International Regulators Forum, holds Annual Performance Reviews with offshore industry operators, and reviews and approves many of the actions required by industry to explore and develop resources. The MMS operates a civil penalty program to deal with operators who do not comply with safety requirements.

During 1998, MMS encouraged and assisted OCS operators in developing and implementing the Safety and Environmental Program to reduce the risk of accidents and pollution from OCS operations by incorporating safety management practices into all facility activities, and by establishing clear safety goals and management tools for achieving them. The MMS also worked with industry to develop SEMP performance measures and conducted two outreach workshops.

Ensuring environmentally sound OCS mineral development

The MMS contracts for studies and research needed to make informed environmental decisions about OCS activities. This research is coordinated with others involved in or impacted by OCS activities (coastal States, U.S. Geological Survey, U.S. Fish and Wildlife Service, National Oceanic Atmospheric Administration, and National Marine Fisheries Service). Staff perform environmental assessments at both pre-lease and post-lease stages. During 1998, the MMS:

- Developed and implemented a deep water environmental strategy consisting of a comprehensive set of initiatives, such as environmental studies of deep water issues, technical papers on deep water technology, and an environmental assessment of potential deep water impacts. These efforts were aided a \$4 million budget increase and industry cooperative support in planning and co-funding deep water spill research.
- Played a key role in the Federal government’s International Year of the Ocean (YOTO) initiative. The YOTO provides governments, organizations, and individuals an opportunity to raise public awareness of the role the ocean plays in our lives and to initiate changes needed to sustain marine resources. The MMS was named as one of the four Federal members of the public-private sector YOTO Steering Committee and had the lead on writing the interagency YOTO discussion paper, “*Ocean Energy and Mineral Resources.*”
- Researched the development of day/night airborne detection devices for spills. These devices have the potential to provide the Nation with advanced oil spill response capabilities for ocean and shoreline cleanup. The oil spill financial responsibility rule was completed and approved. This rule is critical to ensuring that financial resources are available to respond to a major spill and mitigate the impacts.

The long-range trend in oil spillage over the last three decades is one of dramatic improvement. During most of the last 20 years, the annual spill ratio has hovered around a mark of 5-10 barrels for every 1,000,000 barrels handled on the OCS. Larger spills on the OCS have become very infrequent and in most cases are due to circumstances beyond the agency's control (e.g., hurricanes or anchor dragging).

Ensuring that the public receives fair value for OCS mineral development

The MMS acquires geologic and geophysical data on Federal lands for the cost of reproduction. This data is the basis for resource assessments, royalty relief determinations, Environmental Impact Statement preparation, and other management decisions. A major effort has been to convert older geologic and geophysical data into digital format in order to be usable with 3-D seismic workstations. The MMS also incorporates this data into its mathematical and statistical models for determining fair market value, information on economics, petroleum engineering, and improvements in development technologies. In 1998:

- Three OCS oil and gas lease sales were held in the Central Gulf of Mexico, the Beaufort Sea, and the Western Gulf of Mexico. These leases had over \$1.3 billion in high bids.
- New procedures for ensuring receipt of fair market value on OCS oil and gas leases were fully implemented. These changes, which included a number of new rules for acceptance of selected tracts, were made following a review of bidding activity in OCS sales. The new bid rules rely on market-determined factors to ensure receipt of fair market value.

Providing for mineral development on the OCS

To meet its mandated mission to provide domestic energy sources, the MMS prepares and maintains a five-year leasing program that determines the size, timing and location of leasing activity including all associated pre- and post-sale actions to best meet national energy needs. Extensive consultation with other Federal agencies, States and local governments, and other concerned parties is required throughout the entire five-year and individual sale processes. During 1998, the MMS provided staff support to negotiate a continental shelf delimitation agreement to establish the boundary between the United States and Mexico in the Gulf of Mexico beyond the Exclusive Economic Zone (EEZ). Three joint surveys of appropriate boundary points were conducted during the summer of 1998. The EEZ encompasses an area that extends 200 nautical miles from the Nation's shores in which the United States has "exclusive control" over all maritime activities, and natural and mineral resources.



Oil rig (photo by Minerals Management Service).

Improving the timeliness and accuracy of payments to recipients

The MMS is committed to ensuring that all revenue due is paid on time. On-time disbursements are those made by the end of the month following the month of receipt as mandated by statute. However, MMS managers have set a re-engineering “stretch” goal to provide the revenue recipients with access to their money within 24 hours after MMS receives the funds.

Improving the cost effectiveness of mineral royalty collection and disbursement services

The MMS is committed to improving the cost effectiveness of its royalty management services by increasing electronic transmission of information and payments. During 1998, approximately 50 percent of the Royalty Management Program’s production and 80 percent of its royalty data were submitted electronically. The MMS has also aggressively pursued greater electronic reporting by publishing a proposed rule in April 1998 that mandates 100 percent electronic reporting. The MMS plans to issue the final rule in 1999, and will amend the proposed rule to include hardship exclusions.

Improving reporters’ compliance with lease terms, rules, regulations, and laws

The MMS ensures reporters’ compliance by identifying non-payments or late payments of bills, training industry staff on all reporting requirements, and auditing leases and company records. During 1998, the MMS:

- Reengineered a new royalty management design concept to provide a better understanding of properties, markets served, and the production environment, and to increase confidence in the accuracy of royalty payments.
- Began pilot testing of “Royalty-in-Kind” (RIK). Under RIK, the Federal government takes its share of minerals produced on Federal lands as a share of the actual product rather than as a cash royalty that is a percentage of sales value. RIK is an innovative, but still unproven, approach to Interior’s responsibilities that has been under active consideration by the MMS since 1994. The MMS began developing three pilots to test RIK: (1) a crude oil pilot in Wyoming, (2) a small natural gas pilot with the State of Texas for leases in which the United States and Texas share revenue, and (3) a larger natural gas pilot in the Gulf of Mexico. In July 1998, the MMS issued an Invitation for Bid to accept crude from certain leases in Wyoming and announced the accepted bidders in August.

Providing Indian Tribes with increased opportunities for education and for assuming functional responsibilities with respect to the Royalty Management Program

Educational opportunities include participating in the royalty internship program, taking part in joint audit work, or accessing online royalty data. Assumption of functional responsibilities includes participation in the co-op audit program and entering into self-determination or self-governance contracts. During 1998, the MMS offered a number of opportunities, including monitoring royalties and accounts on-line, learning the royalty collection processes through a new internship program for tribal employees, and handling royalty audit work through cooperative agreements. All of these efforts are aimed at helping Tribes prepare to assume royalty management services.